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# ENERGY COMMUNITY WEBINAR SERIES

**Energy poverty:**

**Novelties under the Clean Energy Package and possible measures for the Energy Community**

**30 April 2020**

**Branislava Marsenic, Energy Community Secretariat**



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## In focus for this webinar

- Energy poverty- definition and problem identification
- Currently applicable vs. new legislation
- Some measures addressing energy poverty



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## Defining energy poverty

- Definition, nature and causes of energy poverty subject to considerable debate
- Energy Poverty Observatory
- ✓ Energy poverty occurs when a household suffers from a lack of adequate energy services in the home
- ✓ Due to low income, high energy expenditure, inefficient buildings and appliances and specific household energy needs
- Strongly linked with general deprivation
- Energy poverty vs. vulnerable customers
- Why do we need a separate definition at all?

Only when the problem is clearly defined, it may be addressed in the right way  
And is there a problem?

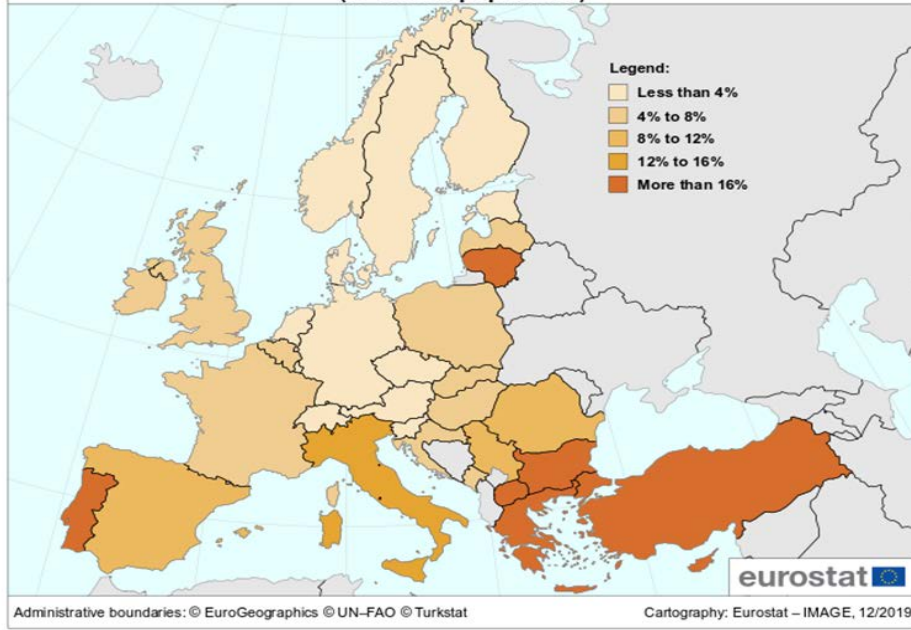


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# Some statistics on energy poverty

People who cannot afford to keep their home adequately warm, 2018 (EU = 7.3%)  
(% of total population)



Montenegro, North Macedonia and Turkey: 2017 instead of 2018 data

EU average 2018: 7.3%

Some EU MSs:

■ Bulgaria- 34%, Greece- 23%, Italy- 14%, Austria- 2%

EnC CPs:

■ Montenegro- 4.5%, North Macedonia- 24.9%, Serbia- 10%

Other sources on CPs:

■ Ukraine: 29% (huge regional differences)

■ Albania: 20%

■ Georgia, Kosovo\*: absolute poverty rate- 20% i.e. 30%

**Lack of reliable and harmonized data for EnC CPs**



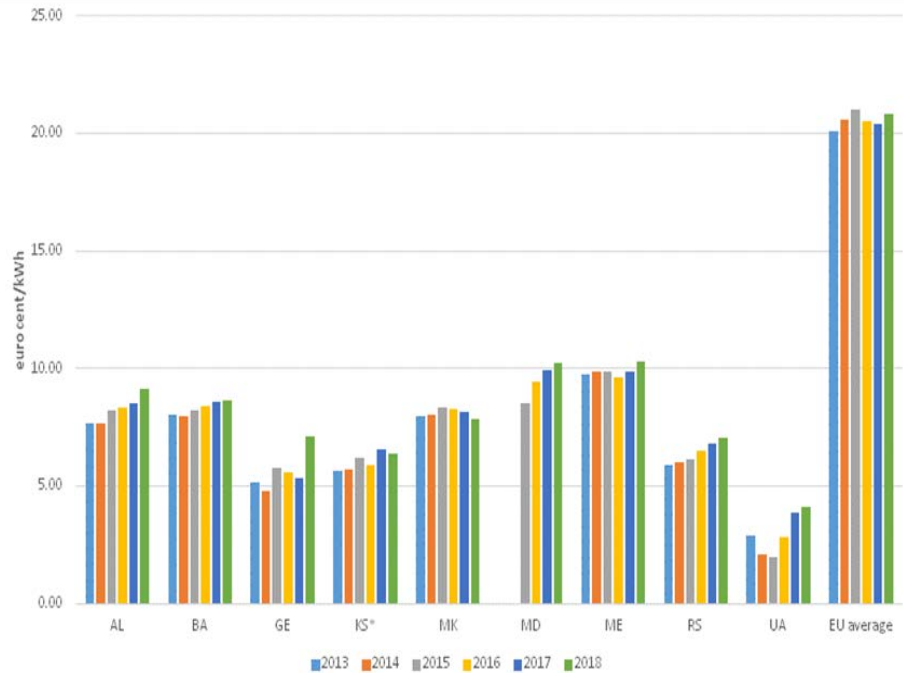


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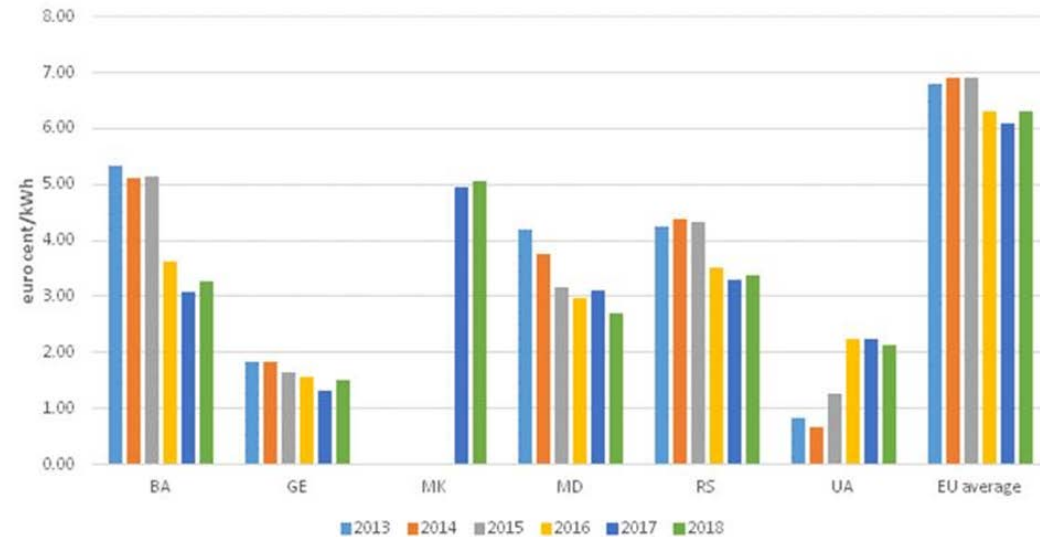


# Household energy prices in the CPs

## electricity



## gas



Source: Eurostat/ECRB



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# Currently applicable legislation

- Electricity and Gas Directive, Art.3:
  - CPs shall define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity/gas to such customers in critical times. CPs shall ensure that rights and obligations linked to vulnerable customers are applied.
  - CPs shall take appropriate measures, such as formulating national energy action plans, providing benefits in social security systems to ensure the necessary electricity/gas supply to vulnerable customers, or providing for support for energy efficiency improvements, to address energy poverty where identified, including in the broader context of poverty.
- Energy Efficiency Directive, Art.7
  - Within the energy efficiency obligation scheme, CPs may:
    - ...require a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty or in social housing;

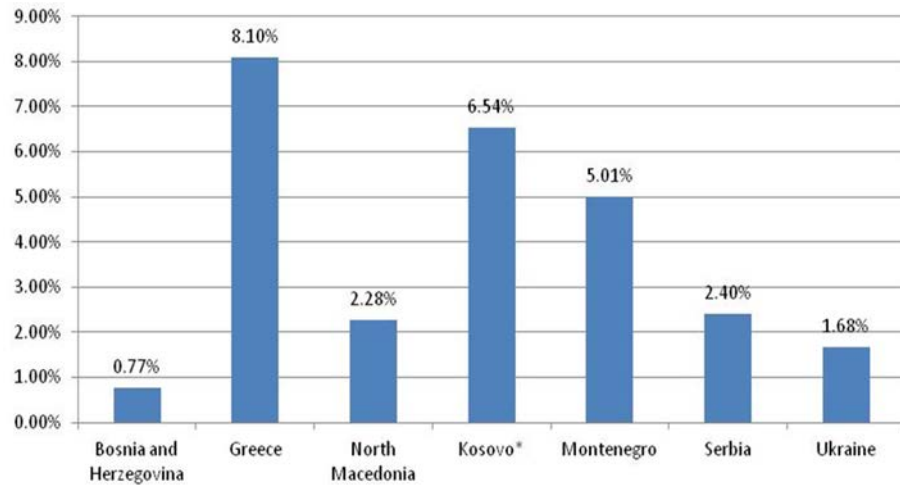


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# Definition and treatment of vulnerable customers in the CPs

- Outline of the Social Strategy in the Energy Community (2013)- regional definition
- All CPs have definition of vulnerable customers, except Georgia and, partially, Bosnia and Herzegovina (ECRB Retail MMR 2018). There is no definition of energy poverty, but it is addressed through a certain framework (strategies, action plans etc.)



Share of vulnerable customers,  
ECRB MMR 2019

## Measures to protect vulnerable customers in the CPs:

- Restrictions on disconnection due to non-payment
- Earmarked social benefits to cover energy expenses
- Right to deferred payment
- No special energy prices for vulnerable customers



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# New legislation (1)

## ■ Directive 2019/944 on common rules for the internal market for electricity

- Art. 5 Market- based supply prices

Protection of energy poor and vulnerable customers without price interventions, but a derogation under certain conditions may be applied:

- ✓ not going beyond what is necessary to achieve general economic interest;
- ✓ being clearly defined and transparent;
- ✓ guaranteeing equal access of undertakings to customers;
- ✓ limited in time and proportionate;
- ✓ not resulting in additional costs for market participants in a discriminatory way.

If price interventions for energy poor and vulnerable customers applied, the provisions of the Governance Regulation related to energy poverty have to be applied, regardless of whether the MS concerned has a significant number of households in energy poverty.

- Art. 29 Energy poverty

MSs to establish and publish set of criteria for assessing number of customers in energy poverty, which may include low income, high expenditure of disposable income and poor energy efficiency

EC guidance on “significant number of households in energy poverty” to be provided





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## New legislation (2)

### ■ Regulation 2018/1999 on the Governance of the Energy Union and Climate Action

- Not one of the dimensions, but a tool to promote just transition
- Art. 3 Integrated NECPs

MSs **shall...assess the number of households in energy poverty** taking into account the necessary domestic energy services needed to guarantee basic standards of living in the relevant national context, existing social policy and other relevant policies, as well as indicative EC guidance on relevant indicators for energy poverty.

In the event that a MS finds, that **it has a significant number of households in energy poverty, it shall include in its plan a national indicative objective to reduce energy poverty. ...and outline policies and measures which address energy poverty.**

- Art. 24 Integrated reporting on energy poverty

If there is a significant number of households in energy poverty, progress report to include: (a) information on progress towards the national indicative objective to reduce the number of households in energy poverty; and (b) quantitative information on the number of households in energy poverty, and, where available, information on policies and measures addressing energy poverty.



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## New legislation (3)

### ■ Directive 2018/2002 on energy efficiency

- Art. 7 Energy savings obligation
- ✓ In designing policy measures to fulfil obligations, MS shall take into account the need to alleviate energy poverty
- ✓ By requiring...a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures or programmes or measures financed under an EENF, to be implemented as priority among vulnerable households, including those affected by energy poverty and in social housing
- ✓ Information about the outcome of measures to alleviate energy poverty to be included in the NECP progress reports

### ■ Directive 2018/844 amending Directive 2010/31 on the energy performance in buildings

- Art. 2 Long- term renovation strategy
- ✓ To encompass an overview of policies and actions to target the worst performing segments of the national building stock, split- incentive dilemmas and market failures, and an outline of relevant national actions that contribute to the alleviation of energy poverty;



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## New legislation (4)

### ■ Directive 2018/2001 on the promotion of the use of energy from renewable sources

- Art. 18 Information and training
  - ✓ MS shall ensure that information on support measures is made available to all relevant actors, such as consumers including low-income, vulnerable consumers...
- Art. 21 Renewables self- consumers
  - ✓ Enabling framework to promote and facilitate the development of renewables self-consumption shall address accessibility of renewables self-consumption to all final customers, including those in low-income or vulnerable households
- Art. 22 Renewable energy communities
  - ✓ Enabling framework to promote and facilitate the development of renewable energy communities shall ensure the participation in the renewable energy communities is accessible to all consumers, including those in low-income or vulnerable households
- Art. 23 Mainstreaming renewable energy in heating and cooling
  - ✓ When adopting and implementing the measures to increase the share of RES in heating and cooling, MS shall aim to ensure the accessibility of measures to all consumers, in particular those in low-income or vulnerable households, who would not otherwise possess sufficient up-front capital to benefit.



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# Energy Poverty Observatory

■ EC initiative, launched in December 2016, to *improve the measuring, monitoring and sharing of knowledge and best practice on energy poverty* ([www.energypoverty.eu](http://www.energypoverty.eu))

- Knowledge and resources
- Policy measures
- Bottom- up approach
- Indicators and data

Guidance for policy makers:

- Measurement
- Definition
- Policy type
- Financing and funding

## Primary indicators

Arrears on utility bills

High share of energy expenditure in income (2M)

Low absolute energy expenditure (M/2)

Inability to keep home adequately warm

## Secondary indicators

Prices: electricity, gas, biomass, fuel oil, coal, district heating

Dwelling comfortably cool/warm during summer/winter time

Number of rooms per person

Energy expenses per income quintile

Etc.



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# Policies/measures implemented in EU MSs (1)

## ■ Financial assistance for bills:

- social tariffs
- energy bill support
- under the same conditions: limited quantity of energy subsidised and no cross- subsidization, which one to use?

## ■ Protection against disconnection:

- permanent measure for persons who need continuous electricity supply for health reasons
- temporary measure for certain categories of consumers in winter period, linked with arrears in energy bills



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## Policies/measures implemented in EU MSs (2)

### ■ Energy audits:

- direct assistance, done locally in cooperation with social institutions
- combined with financial help for improving energy situation in households

### ■ Energy efficiency measures:

- targeting energy poor important
- building retrofit measures, help for providing energy efficient appliances
- grants, soft loans and tax incentives as financing help, but:
  - landlord-tenant problem (is there a rent contract at all?)
  - multi-apartment buildings (social housing in CPs?)
- financial instrument in which investment costs are paid by generated energy savings





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# NECP Finland

- There is no significant number of HHs in energy poverty
- 3 studies in the period 2013-2018
- Security deposits to energy companies for people in vulnerable situation
- Energy advisory services and support for energy efficiency improvements
- Protection against disconnection in winter period for electricity- heated homes



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## NECP Italy

- Ad hoc indicator revealed 8.6% of households in energy poverty in 2016 and 2017
- Setting up the national observatory of energy poverty (including establishment of an official measure of energy poverty)
- Reviewing the existing instruments, in particular electricity and gas bonuses (only 1/3 of potential benefits actually use the support)
- Programs for making social housing buildings more energy efficient
- Subsidies for low income families (e.g. grants of up to 100% of the investment in PV installations for domestic use)



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# NECP Greece

- 23% of total population unable to heat homes
- Target: to reduce by 50% by 2025 and by 75% by 2030
- Improvement of the existing measures- social tariff and universal service, to involve only vulnerable customers; possibility of introducing „energy card“
- Targeted financing program for energy efficiency
- Exploring incentives for suppliers under the energy efficiency obligation scheme and for energy communities
- Energy Poverty Action Plan to be completed in the first half of 2020

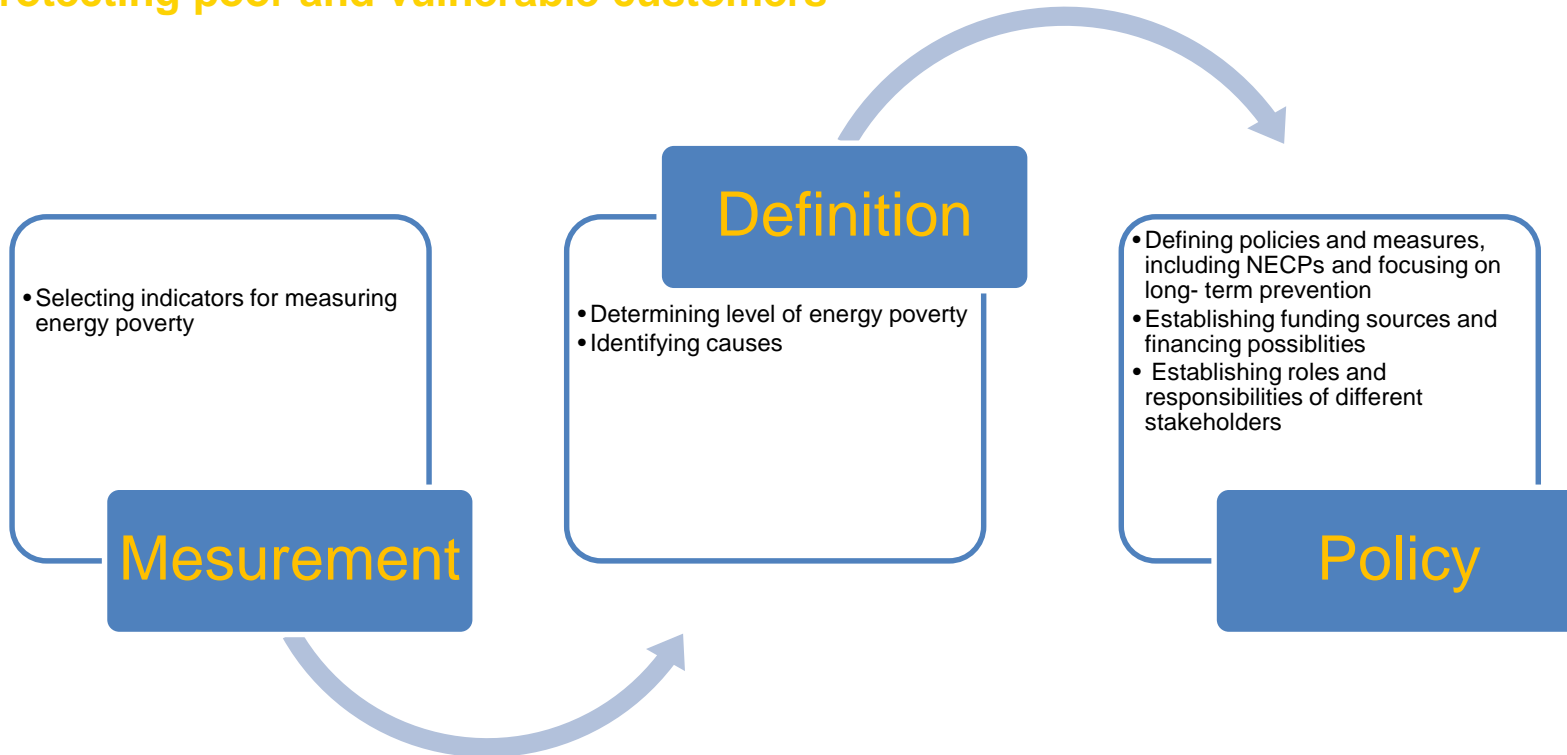


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# Proposed actions to facilitate market reforms and just transition

...by protecting poor and vulnerable customers





**THANK YOU**  
**FOR YOUR ATTENTION**

**Questions & Answers Session**

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